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SUBJECT: MEETING ON PA BID FOR WTO OBSERVER STATUS

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1.(SBU) SUMMARY - This afternoon General Council Chair (GC) Matus held an informal consultation with a small group of countries, not including Israel or the Arab States, on the PA's request for WTO observer status. The purpose was to begin to resume the process that he had started prior to the October 20 General Council meeting as part of the preparation for the November 17 GC meeting. As in past discussions, most delegations expressed support for the PA's request but were measured in their approach. However, the EC Ambassador said that if a consensus could not be reached on the issue, his instructions were to place this issue on the agenda for the November GC meeting. Charge laid down a strong marker that this course of action would not only lead to a politically charged debate ending in deadlock but would also be likely to kill any chance to secure observer status for the PA at the Ministerial Conference (MC). Other reps came in at this point to urge a careful approach but the EC rep told Charge he is under instructions from Brussels so any change in approach will have to come from there. End Summary

12. (SBU) In addition to U.S. and EC reps, the meeting was attended by Brazil, Canada, China, and Norway. Matus opened the discussion with very little by way of introduction other than to note that the requisites for observer status are that the entity must be considered a customs territory and that it must have an authority governing it. Later he added that the applicant must indicate intent to accede to the WTO within 5 years. Matus noted in response to a question on process that it is normal that a request such as this is not place on a GC agenda until there is a consensus to act on it. However, this is not a normal situation and he is unsure how to approach it. He also mentioned that the PA was in the process of preparing a revised application, responding to issues that had been raised.

13. (SBU) The EC Ambassador said he appreciated the Chair's effort to find a consensus, though it appeared that this was not easy. He said that the EC fully supports the request and that if no consensus was found they would insist on putting this issue on the November GC

agenda.

¶4. (SBU) Charge noted that the PA was a friend and partner but that we continued to have questions about whether they meet the criteria to become an observer and are unlikely to be in a position to deliver a positive response before the November GC meeting. He noted, however, that we would support their observership at the MC if they requested it. Responding to the EC's statement, he noted that if they proceeded as planned it was clear there would be an acrimonious debate in the GC and no conclusion. He noted that, while it cannot be assured at this point that observership at the MC would be agreed, the EC's approach would kill any chance of it.

¶5. (SBU) The Indian Ambassador noted the sensitivity of the issue and supported the Chair's careful approach. India will do its best to help develop a consensus. He urged a cautious approach.

¶6. (SBU) The Canadian DCM said that Canada is still examining the issue but the devil is in the details. They are waiting for legal analysis from Ottawa.

¶7. (SBU) The Chinese DCM expressed support for the PA and noted that it was possible to differentiate between eligibility for observer status and eligibility for accession.

¶8. (SBU) The Norwegian rep expressed support for the request but agreed on the need to avoid an acrimonious debate in the GC. If some were not ready on GC observer status, we should aim to secure MC observer status.

¶9. (SBU) The Brazilian rep thought that the flexibility should be found to agree to the PA's request.

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¶10. (SBU) Matus's next step will be to consult individually with Israel and other key players.

¶11. (SBU) We strongly recommend that Washington agencies reach out to the EC and appropriate Member States as soon as possible.

SHARK